AMO REPORTS 83-2

AFFORDABLE HOUSING - AN OVERVIEW

THE ASSOCIATION OF MUNICIPALITIES OF ONTARIO
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ASSOCIATION OF MUNICIPALITIES OF ONTARIO

The Association of Municipalities of Ontario, a non-partisan voluntary organization, is united to promote the values of the municipal government system and the status of the municipal level of government as a vital and essential component of the total intergovernmental framework of Ontario and Canada.

The Association acts as the collective voice of Ontario's municipal governments and is organized to accomplish through cooperation and coordination, what the majority have neither the time nor the resources to do individually.

The Association represents some six hundred (600) municipal governments throughout Ontario. The governing body is composed of some eighty (80) municipal elected and appointed officials, who in turn represent a wide-range of municipal government interest.

The following sections and affiliated municipal professional associations form an important part of the Association's structure and therefore, play an important part in its activities in terms of the Board of Directors, program and policy development:

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AFFORDABLE HOUSING - AN OVERVIEW

1. INTRODUCTION

The need for affordable housing for low and moderate income households is one which the Association of Municipalities of Ontario would like to address at this time. This is not a new area of concern for the Association, and much that is written in this report is based on previous AMO positions and recommendations. The present shortage of funding for social housing programs, the present review of current rent review legislation by the Thom Commission, and the study of the overall housing market by the Ministry of Municipal Affairs and Housing, make this a topical issue. It is a time of fiscal restraint and some municipalities are suffering from what has become an extended period of shortage in the rental market. Resources must be used as effectively as possible to address the needs of the low and moderate income target group.

In using the term "affordable housing", AMO means housing for which households can bear the cost without serious inconvenience. It has generally been assumed that housing is affordable to a family if it consumes no more that 25% of the family's gross income. More recently however, the figure being used is 30%. A survey done in Thunder Bay, Hamilton, Metropolitan Toronto, London, Windsor, Ottawa and Sudbury, has shown that approximately one quarter of the tenants in rental accommodation pay more than 25% of their gross incomes on rent.[1] This figure together with long waiting lists for social housing and an increased use of "emergency housing" on a long term basis, would seem to indicate a need for more affordable housing.

This report will review a number of Federal and Provincial Government programs and initiatives to assess their impact in providing affordable housing for low and moderate income households.

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1 These figures are originally from a 1981 Ministry of Municipal Affairs and Housing Seven City Survey and are used in the joint AMO and Ministry of Municipal Affairs and Housing study on Making Better Use of the Existing Housing Stock and Municipal Infrastructure.

2. SOCIAL HOUSING IN ONTARIO

The term social housing is used here to cover housing constructed primarily for low and moderate income households and those with special needs, by volunteer citizens or government agencies. It is usually rental (excepting co-operatives) and includes non-profit and public housing. Excluded are assisted homeownership schemes and privately initiated developments for profit even if they are assisted by public funds.

The eligibility criteria for those who live in social housing units includes families, senior citizens, physically handicapped persons, and mentally disabled persons. The particular social housing units we are referring to include public housing units, the rent-geared-to-income units in private non-profit, non-profit co-operative and municipal non-profit housing, and the Rent Supplement units in privately initiated developments. These units will be referred to as rent-geared-to-income units.

AMO believes that eligibility criteria for rent-geared-to-income units should be expanded to include single persons and childless couples over 45 years of age as these types of groups are also experiencing severe difficulty in obtaining affordable housing. In addition, an area of particular concern is the loss of eligibility for couples and single parents who are living in rent-geared-to-income units when their children leave home. Unless such persons experience an improvement in their circumstances, their prospects for adequate shelter are minimal until they finally qualify for senior citizen programs. Changing the eligibility criteria would also have a favourable effect on the perceived character of public housing as the community would evolve to include a more diversified client group.

a) Public Housing[2]

The Public Housing Program was used extensively in the 1960's to provide housing for low-income households. Under this program, rental units were built and managed directly by the public sector. All tenants in public housing are eligible to pay rent on a rent-geared-to-income basis, and access is restricted to low-income families, senior citizens

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2 Association of Municipalities of Ontario, Public Housing in Ontario ("AMO Reports 47"), February, 1981 and Municipal Perspective on Housing Programs in the 1980's ("AMO Reports 49"), March, 1981.

and single persons who are permanently unemployable. There are approximately 84,000 public housing units in Ontario.

Public housing projects became unpopular in the early 1970's because of the size of the projects, the use of high-density, highly conspicuous housing forms, and the specialized client group served, including substantial numbers of children. Communities began to resist having such projects built in their neighbourhoods, and people resisted moving into them.

Notwithstanding these problems, AMO believes that the public housing stock constitutes a valuable social resource and has provided generally good quality and affordable housing for client groups whose needs could not be met in the private market. AMO would support any further initiatives the government might take in this area.

With respect to the physical attributes of public housing stock, AMO believes that much housing will need to be rehabilitated in order to reflect modern standards of energy conservation and more important, in order to preserve the buildings over the next decade. The cost of building new public housing units in the future will be prohibitive. Larger units may need to be examined for conversion. Some buildings or units may require demolition or, in some cases sale may be the best option. The retention of the existing level of public housing stock and the capitalizing on it as an asset should, however, be the guiding principle.

Therefore, in order to assist in providing affordable housing for low-income households, AMO recommends:

1. That the existing levels of public housing remain in public ownership throughout the 1980's.

2. a) That eligibility criteria for rent-geared-to-income units be expanded to include single persons and childless couples over 45 years of age.

b) That single parents and couples in rent-geared-to-income units remain eligible for them when their children leave home, regardless of the age of the parents.

3. That with respect to the public housing building form:

a) public housing be rehabilitated in order to preserve the buildings over the next decade, and to reflect modern standards of energy conservation and site design.

b) large units be examined for conversion.

c) where demolition or sale is considered for public housing stock, the retention of the existing level of public housing stock and capitalizing on it as an asset be the guiding principle.

b) Private Non-Profit, Non-Profit Co-operative, and Municipal Non-Profit Housing

In the early 1970's programs were introduced by the Federal Government to give assistance to co-operative and non-profit groups so that they could provide housing, some of which would be available for low-income households. These programs were intended to aid in the development of housing for low-income households with municipalities and private groups taking the lead role in building and management.

In 1978, these programs were revised. Upon Agreement between the Federal and Provincial governments, assistance to co-operative housing, private non-profit and municipal non-profit groups was made available through different programs. Funding of these programs is provided primarily by the Federal Government. The private non-profit and co-operative housing programs remain under the direct jurisdiction and funding of the Federal Government, although these programs may receive Provincial funding under the Ontario Community Housing Assistance Program (OCHAP).

The municipal non-profit housing program is administered by the Ministry of Municipal Affairs and Housing which will also provide additional subsidy where required.

The objective of the municipal non-profit program is to ensure that a number of low and moderate income housing units are started annually. Up to 25% of the units may be allocated to families on a rent-geared-to-income basis. In senior citizen housing projects up to 50% of units may be assigned to seniors in need of rental assistance. The other tenants in both cases pay rents at market value. As of January 31, 1983 there are 5,637 units which have been committed for the municipal non-profit program in Ontario.

There are two advantages to the municipal non-profit program over the private non-profit and co-operative housing programs. Firstly, the latter two programs do not have similar requirements to provide rent-geared-to-income units, and, although a provincial subsidy may be provided for additional rent-geared-to-income units under OCHAP, this program is not widely used. Without OCHAP, groups may have difficulty extending assistance to low income households in the numbers and to the depth possible in the municipal non-profit program. As of January 31, 1983, 397 units use OCHAP in private non-profit projects, and 32 units use OCHAP in co-operative housing projects.[3]

A second advantage is that although all three programs are eligible for a Federal rent reduction grant so that the effective interest rate applied to approved capital project costs is 2% over a 35 year amortization period, the Province offers an additional subsidy of up to 100% of the Federal rent reduction grant, if required, to offset operating losses in the municipal non-profit program. These grants go towards maintaining overall rents at market levels, as well as subsidizing the rent-geared-to-income units in the development, and the grants are assured for the life of the mortgage.

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3 Figures provided by the Ministry of Municipal Affairs and Housing

AMO believes that the replacement of public housing which is 100% rent-geared-to-income with co-operative, private non-profit, and municipal non-profit housing projects which are only partially rent-geared-to-income has had a negative implication which should not be overlooked. Social housing production declined substantially in the 1970's, and the development of "integrated" housing has meant an even further reduction of low-income housing as a component of social housing.

AMO therefore recommends that the Federal and Provincial Governments participate in a deep subsidy program to increase the proportion of rent-geared-to-income residents in social housing. The proportion of rent-geared-to-income units could be negotiated between individual sponsoring groups and the Federal and Provincial Governments. As a preliminary guideline, however, AMO suggests that a deep subsidy program should be available for 25% of tenants, and a shallow subsidy provision should be available for an additional 15% of tenants, at the discretion of the sponsoring groups.

In addition, AMO recommends that the Provincial Government's policy relative to the Municipal Assisted Rental Program be expanded so that where need exists, municipalities outside Metropolitan Toronto will also be able to provide up to 100% rent-geared-to-income units in a housing project.

AMO supports the co-operative housing, private non-profit and municipal non-profit housing programs as they all provide a valuable source of affordable non-ownership housing in Ontario for low and moderate income households. AMO is therefore concerned about the shortage in unit allocations (funding) that has been experienced in the Province in 1982. The Association is even more concerned that the situation for 1983 looks even less promising. In his speech to the Legislature of November 30, 1982, at the 1982/83 Estimates Debates, the Honourable Claude Bennett states that there is a shortfall of 1,491 municipal non-profit units for 1982. Thus, 1,491 more municipal non-profit units could have been built if there had been sufficient funding available. He further states that the Province had applied for 4,767 units from CMHC for 1983 but received only 2,200.

One possibility which AMO would like to see explored with respect to the provision of social housing is that of building social housing on appropriate lands held by the Ontario Land Corporation. Where need exists, perhaps the Provincial government could require that social housing be built on such properties and sell the parcels of land to purchasers who would agree to provide some social housing.

AMO therefore recommends:

4. That the Federal Government through Canada Mortgage and Housing increase unit allocations for all co-operative housing, private non-profit and municipal non-profit housing in Ontario.

5. That the Federal and Provincial Governments participate in a deep subsidy program to increase the portion of rent-geared-to-income residents in social housing. As a preliminary guideline a deep subsidy program should be available for 25% of tenants, and a shallow subsidy provision should be available for an additional 15% of tenants, at the discretion of the sponsoring group.

6. That the Provincial Government's policy relative to the Municipal Assisted Rental Program be expanded so that where need exists, municipalities outside Metropolitan Toronto will also be able to provide up to 100% rent-geared-to-income units in a housing project.

7. That the Provincial Government explore the possibility of using the lands held by the Ontario Land Corporation as a means of providing social housing where need exists.

3. LIMITED DIVIDEND HOUSING

The Limited Dividend Housing program was introduced by the Federal Government in the mid-1940's in order to address housing needs of low-income households and supply rental accommodation. Under this program developers were given a preferred

rate of interest on mortgage loans in return for low rental agreements. These loans were locked in for a 40-50 year amortization period, and hence developers were bound by low rental agreements for this length of time as well. Projects could be sold before the expiry of the loan and rental agreement, but subject to the consent of CMHC and on such terms and conditions as set out by CMHC. New owners were required to assume the loan and comply with the terms of the agreement.

Projects that were built after 1968 were subject to only a 15 year lock-in period. This means that in 1983 project owners may pay off their mortgages if they wish without being subject to any terms or conditions, or they may continue to take advantage of the low rates and remain bound by the low rental agreements.

In Ontario, there are 7,705 units subject to pre-1968 agreements and 22,613 units subject to post-1968 agreements. These figures have been provided by CMHC but have not been verified by them.

In order to achieve uniformity between the pre- and post-1968 projects, in October 1981, CMHC announced that the mortgages on pre-1968 projects could be paid in full and agreements terminated commencing January 1, 1983, subject to the following:

1) The Provincial and Municipal Housing authorities in the area must have been offered a bona fide opportunity to lease a block of units in the project to accommodate subsidized tenants under the National Housing Act section 44(1)(a); and

    a) The public housing authorities and CMHC will have agreed to share the deficits under this section; or

    b) The public housing authorities' letter of refusal will have been communicated to CMHC.

The Association is concerned that many of these low cost rental units, which represent a substantial stock of low cost housing may be lost in 1983 if project owners wish to pay off their mortgages and terminate their low rental agreements. The

apparent safeguard that local housing authorities will have an opportunity to lease a block of units for rent supplement under section 44(1)(a) of the National Housing Act may not be of any use if local housing authorities do not have the necessary funds. AMO understands that CMHC is reviewing the policy on this matter.

AMO therefore recommends:

8. That the Federal Government through CMHC and the Provincial Government provide the provincial housing authorities with sufficient funds, independent of social housing allocations, to enable them to lease a block of units for rent supplement if a need exists and if such units become available from the Limited Dividend Housing stock.

9. That Limited Dividend Housing project owners be required to offer a block of units for sale to social housing agencies.

4. RENT SUPPLEMENT PROGRAM

Under this program, the Ministry of Municipal Affairs and Housing works closely with the private sector in making suitable rental accommodation available for families and individuals who pay rent according to their incomes. Landlords are paid the difference between the reduced rents and the full rental rates negotiated between the ministry and the landlord. The operating subsidy for each rental unit is shared equally by the federal and provincial governments. There are now approximately 11,000 units supplemented in this way.

The Provincial Government has come to rely on and appears to prefer "rent supplementing" in the private sector as a means of providing affordable housing. In general, rental housing provided under such programs has usually been smaller, non-family units in high rise apartments. Rents would not be affordable to low-income households without the rent supplement, and are usually more costly than those affordable for moderate income families.

a) The Ontario Rental Construction Loan Program

The Ontario Rental Construction Loan Program (ORCL) is an example of a program which provides a mechanism for making use of the Rent Supplement Program. It was introduced in 1981 with a budget of $90,000,000.00 to subsidize building costs and provide interest free loans.

As of December 31, 1982, approximately 15,730 units have been committed under ORCL. This figure includes those units completed, those under construction with roof advances, and those units committed without roof advances.[4]

The primary objective of ORCL was to stimulate the construction industry and provide much needed rental units. A secondary but well publicized objective was the requirement that developers offer up to 20% of units to the local housing authority to lease on a rent-geared-to-income basis. Thus developers receive a further public subsidy to make up the difference between the market rent and what the low-income household can afford. The number of rent supplement units in a building must not exceed 25% of the units in any one building.

As of December 31, 1982, it would appear that approximately 3,042 units would potentially be available to local housing authorities for rent supplement from ORCL projects.

913 units have been accepted
495 units have been rejected (lack of need, location and high rent)
1,634 units are awaiting a decision (under construction or not ready for occupation)[5]
3,042 TOTAL

Two specific problems have been identified in the ORCL program. First, some of the ORCL projects have been found to be not suitable for rent supplement needs either because of location, unit type, or cost. Some units are too luxurious and expensive. Secondly, some local housing authorities have

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4 Figures provided by the Ministry of Municipal Affairs and Housing.

5 Figures provided by the Ministry of Municipal Affairs and Housing.

insufficient funds to enable them to lease a portion of units on a rent-geared-to-income basis. Unit allocations are necessary to pick up the subsidy cost, and as previously mentioned, Ontario has experienced a shortfall in unit allocations.

Based on the above figures it is apparent that there will be fierce competition for unit allocations in 1983 when the total unit allocation for Ontario for 1983 is only 2,200 for both the municipal non-profit and rent supplement programs. This situation should not have arisen when the Province should have foreseen that approximately 3,000 units would be available for rent supplementation under ORCL, and that by promoting ORCL there would be competition with the municipal non-profit program. Special allocations should have been set aside for the rent supplement units as the Federal Government has done with the Canada Rental Supply Plan. Failure to do so has meant that a number of municipal non-profit projects will not be able to proceed and that a number of rent supplement units under ORCL will not be approved.

AMO seeks clarification of whether or not ORCL rent supplement units will be lost if they are not picked up at the initial offering.

In addition, for those units which are picked up, AMO seeks clarification of the period of time the units must remain rent supplement units. AMO is concerned that because rent supplement units do not provide a permanent stock of affordable housing, they should at least be subject to long term agreements where need exists.

If only a minimal number of rent supplement units are received by local housing authorities then it will have been the developers and upper middle income tenants who will have received the benefits of ORCL, as opposed to the low-income groups. It should be kept in mind, however, that rental construction under these programs does benefit all groups in the housing market to a limited extent by increasing the supply of rental housing, thus providing more "room" in the rental market and also providing some units for rent supplementation. Such activity, however, does not directly assist low and moderate income households to the extent of social housing.

b) The Canada Rental Supply Plan

The Canada Rental Supply Plan (CRSP) was a program introduced by the Federal Government in November, 1981 to encourage the construction of rental housing. The Federal Government offered to provide interest-free loans of up to $7,500 per unit for a term of fifteen years for 30,000 units to be allocated to tight markets across Canada. As with ORCL, a certain number of units must be available for rent supplement. Under this program, however, developers must be prepared to enter into agreement with the Province to provide up to 33% of the units for rent supplement tenants.

It appears that the Federal Government has made a special allocation for the CRSP units so that the problem of unit allocations will not arise under this program. Provincial involvement is not assured, however, unless the Provincial Government budgets for these units as they become available. The Association therefore recommends that the Ministry of Municipal Affairs and Housing include sufficient funds in its budget to secure all rent supplement units that will become available under CRSP.

In addition, AMO recommends that if the Provincial Government does not take up the maximum number of units available for rent supplement under CRSP, the Provincial Government be given discretion to use some of the Federal allocations that would be available under CRSP for other programs which would supply housing for low and moderate income groups.

c) The Innovative Rental Construction Loan Program

At this time, AMO would like to comment on the Innovative Rental Construction Loan Program (Inno-Rent) which was announced by the Honourable Claude Bennett on May 14, 1982, as one of the initiatives of Challenge 2000.[6] To date, this program has not been funded.

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6 Association of Municipalities of Ontario, Response to the Housing Initiatives contained in the 1982 Ontario Budget, ("AMO Reports 82-14"), August, 1982.

This proposed program was to be a $48,000,000.00 initiative aimed at spurring the construction of moderately priced rental housing in areas with vacancy rates of 2% or less. It was targeted to produce 3,000 to 6,000 rental units and a percentage of units were to be available to low-income families, seniors and physically disabled persons under the Rent Supplement Program. Developers and financiers were to be encouraged to use innovative financial arrangements and proposals based on mixed land use and alternative forms of land tenure.

AMO has already endorsed this program and encouraged Management Board to approve its funding. In addition, AMO has recommended that the rent supplement units be subject to long term agreements and that units destined for the disabled be properly designed for them.

In recognizing that rent supplementing is a valuable social housing tool, AMO recommends:

10. That the use of rent supplementing in the private sector be restricted to being only one of a number of mechanisms to provide affordable housing.

11. That the Ministry of Municipal Affairs and Housing seriously consider the needs of the local housing authorities, particularly in terms of rent scales, before agreeing to construction projects which require rent supplement units to be offered to the local housing authorities.

12. That units built under government subsidy programs and provided under the Rent Supplement Program be subject to long term agreements.

13. That the Ministry of Municipal Affairs and Housing include sufficient funds in its budget to secure all rent supplement units that will become available under future programs such as the Canada Rental Supply Plan.

14. That if the Provincial Government does not take up the maximum number of units available for rent supplement under the Canada Rental Supply Plan, that the Provincial Government be given discretion to use some of the Federal allocations that would be available under CRSP for other programs which would supply housing for low and moderate income groups.

15. That the Federal Government through CMHC and the Provincial Government allow unit allocations to be transferred from existing rent supplement units which will not be renewed to new rent supplement units which become available.

16. That funding be approved for the Inno-Rent Program; and
    a) that the rent supplement units to be provided under this program be subject to long term agreements; and
    b) that units destined for the disabled be properly designed for them.[7]

5. RENT REVIEW AND AFFORDABLE HOUSING

The Rent Review system in Ontario came into existence in December 1975 when the Residential Premises Rent Review Act received Royal Assent. Rent Review was originally conceived as a temporary program of limiting rent increases and complementing the Federal Government's Anti-Inflation Program. Although the program has commonly been referred to as "rent control", it does not in fact control rents. Rather, it was designed to prevent unjustified rent increases and therefore controls only the increases in rents, not the level of rents.

Rent Review was originally structured to end July 31, 1977. It was extended however, until the original act was replaced by The Residential Tenancies Act, in 1979. Under this Act, if

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7 Association of Municipalities of Ontario, Response to the Housing Initiatives contained in the 1982 Ontario Budget ("AMO Reports 82-14"), August, 1982.

landlords seek an increase in rent of 6% or less, no application for rent review is necessary. However, if landlords wish to raise rents over the 6% ceiling, they must file for permission to do so with the Residential Tenancy Commission. The Commission is responsible for determining whether the increase is justified.

Not all rental accommodation is subject to rent review. For example, rental units built after January 1, 1976, luxury rental units (over $750 per month) and public and non-profit housing units are exempted from the 6% ceiling.[8]

The Rent Review Program is based on a "cost pass-through principle", which generally permits rents entering the rent review process to be increased only to the extent that costs have risen. The implication, theoretically, is that the real profit of the landlord will not be allowed to increase.[9]

Recent events prompted by the sale and subsequent two resales of the Cadillac-Fairview properties, make the discussion of rent review timely. A number of concerns became apparent and the initiatives announced by the Honourable Robert Elgie, Minister of Consumer and Commercial Relations were an attempt to resolve some of these in the short term. These initiatives included Bill 198, the Inquiry under Stuart Thom, Q.C., to look into the application of the existing laws to the regulation of rents, and the study of the overall housing market by the Ministry of Municipal Affairs and Housing.

Bill 198, entitled the Residential Complexes Financing Costs Restraint Act, 1982, received Royal Assent December 21, 1982. This Act is to be temporary until a more detailed and thorough solution to rent review concerns can be put in place. It will apply to all applications to the Residential Tenancy Commission made after October 31, 1982 and is to be repealed on December 31, 1983 in the expectation that comprehensive legislation will have been introduced by then.

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8 The Residential Tenancies Act, Section 134

9 Exceptions to this, i.e financial loss and hardship are contained in Section 131 (1), (2) and (3) of The Residential Tenancies Act.

The first objective of the Act is to attempt to address the concern of the potential impact on rents that may arise as a result of increased financing costs claimed by a landlord to have resulted from his purchase of a residential complex. The maximum rent increase attributable to a pass-through of financing costs arising out of a sale of rental property will be limited to 5% of the last rent lawfully charged.

The Residential Complexes Financing Costs Restraint Act will also suspend the application of the Residential Tenancies Act that provides for the apportionment of a rent increase among various rental units in a rental complex. It is anticipated that this will further assist in avoiding excessive rent increases.

AMO commends Dr. Elgie for enacting the Residential Complexes Financing Costs Restraint Act as a short term solution to the rental housing crisis. In addition, AMO is particularly pleased that the whole program is subject to review as the Association does have concerns about the Rent Review program in general with regard to its impact on providing affordable housing.

Rent review has undoubtedly had an ameliorating effect on rent levels in Ontario as landlords have had to justify rental increases over 6%. In the fiscal year 1981-82, landlords requested an average increase of 19.3% for rents and were granted an average increase of 14.7%.[10] The comparable increases for 1980-81 were 15.7% and 11.6% respectively.[11] However, the rate of rental increase has been the same for all income households in rental accommodation subject to rent review, and low-income households may not have been as well able as middle income households to absorb these increases. This problem may be more significant over a long period of time. In the short term, however, increases were probably less as a result of rent review than they might otherwise have been.

For moderate income households that are on the border-line of affordability problems, rent review has made a valuable contribution during inflationary times in controlling one very significant cost area.

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10 See Table 1. Figures from the Residential Tenancy Commission Report to the Minister 1981-82.

11 Figures from the Residential Tenancy Commission Report to the Minister 1981-82.

AMO believes that in this time of economic restraint, government funds and policies should be aimed directly towards the specific target groups in need. A problem with rent review is that it is applied to a unit, irrespective of the income of a tenant.

Therefore, although rent review may have a role to play in maintaining a level of affordable housing, in the long term, AMO recommends that the focus be on social housing production. Responding to supply deficiencies through the production of more social housing will eventually remove the need for the regulatory mechanism of Rent Review to improve affordability. AMO recommends:

17. That the Provincial Government focus on social housing production as a long term policy and as a means of providing affordable housing to those in need. This would eventually remove the need for the regulatory mechanism of Rent Review to improve affordability.

6. SHELTER ALLOWANCES

The term "shelter allowance" is used here to mean housing assistance by means of a direct cash transfer on a regular basis to eligible households, to enable them to afford adequate housing of their own choice.

Within Canada, the Provinces of British Columbia, Manitoba, New Brunswick and Quebec have allowance programs. They generally focus on the low-income elderly, although the program in Manitoba is more widely available to include pensioners who are 55 years of age and over, and low-income family renters as well. In Ontario, social assistance recipients may receive a shelter subsidy as a component of their allowances. This type of shelter allowance is part of the income redistribution sphere rather than a part of the housing assistance sphere.

Shelter allowances appear to be a very attractive and efficient way to improve affordability, as assistance would be provided directly to the most disadvantaged low-income households. With this in mind, AMO would like to review a few of the major considerations regarding shelter allowances.

The most obvious advantage of a shelter allowance program is that it is designed to address the specific problem of affordability, which is one of the major aspects of housing needs today. In addition, shelter allowances provide freedom of choice as recipients may select their own housing units. This freedom acknowledges that individual housing needs vary greatly and that unit specific responses may not necessarily be the best solution for everyone.

Shelter allowances also have the advantage of being non-disruptive. People who are occupying adequate and appropriate accommodation will not be forced to move if shelter costs consume too much of their income. This is a particularly significant factor for senior citizens whose health is often adversely affected by the disruption of a move, and for families with young children in school.

In addition, shelter allowances can offer a quick solution to affordability problems where appropriate accommodation is readily available. For the tenant, this could eliminate lengthy waiting periods when the supply of social housing is inadequate.

A major disadvantage to a shelter allowance program is that shelter allowances do not ensure that a household has access to housing of adequate quality. Most shelter allowance programs in Canada do not require inspection of the units but they do have maximum levels of assistance available for each household. If average rent levels are higher than the established maximum allowance levels, then households would be forced to occupy inadequate accommodation in order to keep their expenditures at a reasonable level. Thus a shelter allowance is not an appropriate response to problems of poor quality housing if alternate vacant accommodation is in short supply.

Another drawback of a shelter allowance program is that it does not ensure the existence of appropriate housing. For example, if certain forms of housing are not available in a particular area, the shelter allowance approach would not meet the needs of some households. The physically disabled and senior citizens provide good examples of groups that would require housing with special design features.

A potential problem with shelter allowances is that in a market situation of low vacancy rates, shelter allowances could tend to be inflationary. However, with rent review in effect, the danger of rents being increased as shelter allowances are increased is somewhat reduced.

With respect to the cost of shelter allowance programs, this program may be less expensive than other housing assistance programs. However, because of subsidy ceilings, most shelter allowance programs are inadequate for recipients. In addition, if rent-geared-to-income ratios were kept in line with those in most rent-geared-to-income programs, costs would be increased significantly. A final consideration with respect to cost benefit is that funding for shelter allowances would not produce the same long-term benefits as does increasing the stock of social housing.

AMO recognizes that shelter allowances can be useful as one component of a package of programs to reduce affordability problems for some people, and notes that the Minister of Municipal Affairs and Housing shares this view. AMO therefore recommends:

18. That shelter allowances be viewed as only one component of a package of assistance programs and not as a replacement for existing housing assistance programs.

19. That the Federal and Provincial Governments consult with AMO if they seriously consider developing a shelter allowance program.

7. REHABILITATION

AMO believes that there will be an increasing need for rehabilitation and conservation to preserve existing housing stock.

With this in mind, AMO supports the Ontario Home Renewal Program (OHRP) and the Residential Rehabilitation Assistance Program (RRAP) and welcomed the REntHAB program which was

announced by the Honourable Claude Bennett on May 14, 1982 as another one of the Challenge 2000 initiatives.[12] To date REntHAB has not been funded.

The REntHAB program was to be funded at $9,000,000.00 and was aimed at encouraging the rehabilitation and preservation of rental units in existing buildings subject to rent review, which fall below local maintenance and occupancy by-law standards.

AMO believes that the REntHAB program would be useful in providing and preserving affordable rental units. It is also optimistic that REntHAB would answer many of the problems municipalities are encountering in attempting to rehabilitate rental units.

AMO therefore recommends:

20. That funding be approved for the REntHAB program and that the program be extended to apply to hostel and rooming house accommodations.

21. That the Federal and Provincial Governments extend the present RRAP program.

22. That the Provincial Government continue to fund the OHRP program.

8. CONCLUSION

AMO believes that the diversity of housing problems and environments across the Province requires a diversity of responses. A package of programs would permit flexibility to choose the best solution for local needs. In view of this diversity, AMO recommends that intergovernmental relationships must place a greater emphasis on consultation with municipalities through AMO on program formulation, if effectiveness and sensitivity to local communities and recipients are to be attained.

In view of the above, AMO would like to reiterate its recommendations with regard to the provision of affordable housing in Ontario.

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12 Association of Municipalities of Ontario, Response to the Housing Initiatives Contained in the 1982 Ontario Budget ("AMO Reports 82-14"), August, 1982.

1. That the existing levels of public housing remain in public ownership throughout the 1980's.

2. a) That eligibility criteria for rent-geared-to-income units be expanded to include single persons and childless couples over 45 years of age.

   b) That single parents and couples in rent-geared-to-income units remain eligible for them when their children leave home, regardless of the age of the parents.

3. That with respect to the public housing building form:

   a) public housing be rehabilitated in order to preserve the buildings over the next decade, and to reflect modern standards of energy conservation and site design.

   b) large units be examined for conversion.

   c) where demolition or sale are considered for public housing stock, the retention of the existing level of public housing stock and capitalizing on it as an asset be the guiding principle.

4. That the Federal Government through Canada Mortgage and Housing increase unit allocations for all co-operative housing, private non-profit and municipal non-profit housing in Ontario.

5. That the Federal and Provincial Governments participate in a deep subsidy program to increase the portion of rent-geared-to-income residents in social housing. As a preliminary guideline a deep subsidy program should be available for 25% of tenants, and a shallow subsidy provision should be available for an additional 15% of tenants, at the discretion of the sponsoring group.

6. That the Provincial Government's policy relative to the Municipal Assisted Rental Program be expanded so that where need exists, municipalities outside Metropolitan Toronto will also be able to provide up to 100% rent-geared-to-income units in a housing project.

7. That the Provincial Government explore the possibility of using the lands held by the Ontario Land Corporation as a means of providing social housing where need exists.

8. That the Federal Government through CMHC and the Provincial Government provide the provincial housing authorities with sufficient funds, independent of social housing allocations, to enable them to lease a block of units for rent supplement if a need exists and if such units become available from the Limited Dividend Housing stock.

9. That Limited Dividend Housing project owners be required to offer a block of units for sale to social housing agencies.

10. That the use of rent supplementing in the private sector be restricted to being only one of a number of mechanisms to provide affordable housing.

11. That the Ministry of Municipal Affairs and Housing seriously consider the needs of the local housing authorities, particularly in terms of rent scales, before agreeing to construction projects which require rent supplement units to be offered to the local housing authorities.

12. That units built under government subsidy programs and provided under the Rent Supplement Program be subject to long term agreements.

13. That the Ministry of Municipal Affairs and Housing include sufficient funds in its budget to secure all rent supplement units that will become available under future programs such as the Canada Rental Supply Plan.

14. That if the Provincial Government does not take up the maximum number of units available for rent supplement under the Canada Rental Supply Plan, that the Provincial Government be given discretion to use some of the Federal allocations that would be available under CRSP for other programs which would supply housing for low and moderate income groups.

15. That the Federal Government through CMHC and the Provincial Government allow unit allocations to be transferred from existing rent supplement units which will not be renewed to new rent supplement units which become available.

16. That funding be approved for the Inno-Rent Program; and
    a) that the rent supplement units to be provided under this program be subject to long term agreements; and
    b) that units destined for the disabled be properly designed for them.

17. That the Provincial Government focus on social housing production as a long term policy and as a means of providing affordable housing to those in need. This would eventually remove the need for the regulatory mechanism of Rent Review to improve affordability.

18. That shelter allowances be viewed as only one component of a package of assistance programs and not as a replacement for existing housing assistance programs.

19. That the Federal and Provincial Governments consult with AMO if they seriously consider developing a shelter allowance program.

20. That funding be approved for the REntHAB program and that the program be extended to apply to hostel and rooming house accommodations.

21. That the Federal and Provincial Governments extend the present RRAP program.

22. That the Provincial Government continue to fund the OHRP program.

TABLE I

AVERAGE RESULTS OF WHOLE BUILDING REVIEW HEARINGS

(1981 - 1982)

OFFICE	# OF HEARINGS	# OF UNITS	INCREASE % REQUESTED	INCREASE $ MONTHLY REQUESTED	INCREASE % GRANTED	INCREASE $ MONTHLY GRANTED
TORONTO	330	11216	21.08	64.40	13.13	40.07
ETOBICOKE	187	7465	18.02	57.76	14.00	45.75
N. YORK	143	8045	16.18	48.70	13.38	40.32
E. YORK	57	3316	16.55	50.31	12.33	37.85
SCARBOROUGH	116	9136	18.48	55.90	15.91	47.70
WINDSOR	33	1172	24.25	28.82	17.71	23.00
LONDON	139	3178	21.03	53.72	14.82	37.25
OWEN SOUND	27	415	17.33	37.03	11.18	22.13
KITCHENER	257	6088	20.29	51.87	15.27	38.69
HAMILTON	261	9675	17.02	43.68	13.36	33.95
ST. CATHARINES	155	2982	22.39	54.48	16.49	39.94
MISSISSAUGA	101	6501	21.18	66.18	15.33	47.87
BARRIE	54	808	23.67	48.51	19.16	41.12
PETERBOROUGH	137	2059	22.97	58.38	16.88	44.80
KINGSTON	112	1498	23.35	47.24	20.57	44.82
OTTAWA	184	4562	19.37	58.56	16.88	51.70
NORTH BAY	50	529	23.83	54.01	19.01	42.45
SUDBURY	173	2504	18.72	43.17	15.89	35.92
TIMMINS	169	670	22.00	39.82	15.52	28.06
THUNDER BAY	66	832	17.33	38.48	11.68	25.21
PROVINCE	2751	82651	19.34	54.04	14.73	41.16

Source: The Residential Tenancy Commission Report to the Minister, 1981-82

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